

**DEPARTMENT OF TRANSPORTATION
GOVERNOR'S TRAFFIC CONGESTION RELIEF PROGRAM**

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*Flex your power
Be energy efficient!*

December 17, 2002

TO: All TCRP Lead Applicants and Implementing Agencies

In July 2000, Governor Davis signed historic legislation that provided a significant transportation investment through his Traffic Congestion Relief Program (TCRP). At the time, the surplus in the General Fund provided this funding opportunity. However, times have changed. During the last two fiscal years, General Fund revenues from the Traffic Congestion Relief Fund (TCRF) have been loaned to the General Fund. Provisions were made to ensure that sufficient cash balances were available in the TCRF to cover existing as well as planned allocations.

The State is, unfortunately, facing continued economic challenges as evidenced by the increasing State General Fund deficit. To address this deficit, Governor Davis signed Executive Order D-64-02 on November 26, 2002. The Governor's Executive Order directed all State agencies and departments to reduce expenditures in the current fiscal year to achieve General Fund savings wherever possible. Actions include reducing, postponing, and canceling contracts.

The Administration's mid-year spending reduction proposal announced on December 6, 2002 demonstrates the continuing problem that requires participation from all sectors of State government if resolution is to be accomplished. The current year revision proposal from the Administration includes an additional transfer of \$100 million from the TCRF to the General Fund this fiscal year and also cancels the planned General Fund transfers to the TCRF in the 2003/2004 fiscal year. On December 9, 2002, the Governor signed a proclamation identifying the need for the Legislature to suspend the 2003/04 transfer of the sales tax on gasoline from the General Fund to the Transportation Improvement Fund (pursuant to Proposition 42). If this proposal is approved by the Legislature, there will not be enough funds to cover the allocations that have been made to date for the TCRP projects.

To comply with the Governor's Executive Order and in anticipation of potential mid-year legislative budget actions, the California Transportation Commission (Commission) has deferred approval of any additional TCRP applications and TCRP allocations until its meeting in February 2003. The Department of Transportation (Department) will also suspend the execution of any pending agreements (cooperative agreements, program supplement agreements, etc.) until further notice.

The earlier we all move to cut further expenditures, the more flexibility we will have to address our continuing priorities with the resources that remain. We, therefore, must advise that any project expenditures against the TCRF may be at risk for future reimbursement. We also must advise against entering into any new contracts at this time.

The Commission along with Department staff will explore impacts and options to the TCRP as a result of the impending budget actions. The Commission plans to hold a special meeting on January 17, 2003 to present and discuss these options further.

While these are significant challenges, the Governor purposely crafted his proposals to allow the most substantial involvement by all of our partners in the transportation community. The relationships built during the past two years will be essential to our success as we work together during these difficult times.

Sincerely,

ORIGINAL SIGNED

DEBORAH A. MAH
Program Manager
Governor's Traffic Congestion Relief Program

bcc via email:

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TVHarris, Chief Deputy Director
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